

Message Text

LIMITED OFFICIAL USE

PAGE 01 NAIROB 06215 281432Z

ACTION EB-08

INFO OCT-01 AF-10 EUR-12 IO-13 ISO-00 L-03 FRB-03
OMB-01 ITC-01 SP-02 ICA-11 AGRE-00 AID-05 CIAE-00
COME-00 INR-10 LAB-04 NSAE-00 OIC-02 SIL-01
STR-07 TRSE-00 CEA-01 SS-15 JUSE-00 NSC-05 /115 W
-----089613 281436Z /75/14

R 201307Z APR 78

FM AMEMBASSY NAIROBI

TO SECSTATE WASHDC 6907

INFO AMEMBASSY ADDIS ABABA

AMEMBASSY BRUSSELS

AMEMBASSY DAR ES SALAAM

AMEMBASSY KHARTOUM

AMEMBASSY KINSHASA

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY LUSAKA

AMEMBASSY PARIS

AMEMBASSY YAOUNDE

USMISSION GENEVA

USMISSION USUN NEW YORK

LIMITED OFFICIAL USE NAIROBI 6215

C O R R E C T E D C O P Y (TEXT--PARA ONE)

E.O. 11652: N/A

TAGS: ETRD, UNCTAD, KE

SUBJ: COMMON FUND DISCUSSIONS

REF: A. STATE 082918

B. NAIROBI 5010 (NOTAL)

1. SUMMARY: ECONOFF, IN FOLLOW-UP TO DEPUTY ASSISTANT
SECRETARY FRANK'S DISCUSSIONS WITH GOK, MET WITH DR
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 NAIROB 06215 281432Z

KAGUNDA, GOK MINISTRY OF FINANCE AND PLANNING. DR
KAGUNDA IS MINISTRY'S EXPERT ON COMMON FUND, COMMODITIES,
TRADE, AND UN ECONOMIC ISSUES. DISCUSSION WITH KAGUNDA
FOCUSED ON 3 ELEMENTS OF COMMON FUND NEGOTIATIONS: CAPITAL
STRUCTURE, SECOND WINDOW, AND VOTING PROCEDURES. ON
CAPITAL STRUCTURE, KAGUNDA SAID LDGS WOULD BE WILLING
TO DISCUSS SOME MIX BETWEEN DIRECT GOVERNMENT CONTRIBUTIONS

AND POOLING OF INTERNATIONAL COMMODITY AGREEMENT RESOURCES, BUT DIRECT CONTRIBUTIONS ARE VIEWED AS ESSENTIAL ELEMENT. KAGUNDA BELIEVES SECOND WINDOW ISSUE HAS BEEN BLOWN OUT OF PROPORTION AND AFRICAN LDCS ENVISION LIMITED ACTIVITIES UNDER SECOND WINDOW. REFORM OF EXISTING INSTITUTIONS, WHILE WELCOME, IS A LONG-TERM EXERCISE AND LDCS NEED HELP NOW. KAGUNDA WAS NOT OVERLY CONCERNED ABOUT VOTING STRUCTURE, BELIEVING COMPROMISE SOLUTION POSSIBLE. END SUMMARY.

2. KAGUNDA SAID COMMON FUND WAS DISCUSSED AT AFRICAN TRADE MEETING HELD IN LUSAKA AT THE END OF MARCH. HE SAID MANY OF THE VIEW POINTS HE EXPRESSED ON THE COMMON FUND WERE PARALLEL WITH THOSE OF OTHER AFRICAN GOVERNMENTS WHO WERE PRESENT AT THE LUSAKA MEETING. KAGUNDA SPECULATED THAT COMMON FUND ISSUES AND DEVELOPMENT OF COORDINATED AFRICAN POSITION FOR RENEWED NEGOTIATIONS WOULD BE MAJOR TOPICS AT JULY OAU MEETING IN KHARTOUM.

3. CAPITAL STRUCTURE: KAGUNDA SAID KENYA AND MANY OTHER AFRICAN COUNTRIES VIEW DIRECT GOVERNMENT CONTRIBUTIONS TO THE COMMON FUND CAPITAL STRUCTURE AS AN ESSENTIAL FINANCING ELEMENT. THE POOLING OF FUNDS FROM INDIVIDUAL INTERNATIONAL COMMODITY AGREEMENTS (ICA), ACCORDING TO KAGUNDA, WILL NOT PROVIDE ADEQUATE FINANCIAL RESOURCES. IN ADDITION, SUCH POOLING DOES NOT CARRY THE SAME LEVEL LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 NAIROB 06215 281432Z

OF COMMITMENT THAT DIRECT GOVERNMENT CONTRIBUTIONS DO. KAGUNDA WAS ALSO CONCERNED THAT THE COMMON FUND'S LOW INTEREST RATE STRUCTURE WOULD DISCOURAGE SOME ICAS FROM PARTICIPATING IN THE COMMON FUND'S FINANCIAL STRUCTURE. BASED ON HIS DISCUSSION AT THE LUSAKA MEETING, KAGUNDA BELIEVES THE AFRICAN LDCS WILL BE WILLING TO DISCUSS A CAPITAL STRUCTURE FOR THE FUND WHICH WILL BE A MIXTURE OF ICA POOLING AND DIRECT GOVERNMENT CONTRIBUTIONS. HE WOULD NOT SUGGEST ANY PARTICULAR FORMULA BUT SAID HE HOPED THE USG WOULD BE PREPARED TO DISCUSS SUCH A MIXTURE AS A COMPROMISE IN RENEWED COMMON FUND DISCUSSIONS.

4. SECOND WINDOW: KAGUNDA BELIEVES THE USG IS UNDULY CONCERNED OVER THIS ISSUE AND HAS BLOWN IT OUT OF PROPORTION. KAGUNDA ENVISIONS LIMITED SCOPE TO SECOND WINDOW ACTIVITY. SUCH ACTIVITIES WOULD BE PRIMARILY TO ASSIST COUNTRIES WHICH WILL NOT BENEFIT FROM BUFFER-STOCK ARRANGEMENTS OR ARE DEPENDENT ON COMMODITIES WHICH WILL NOT BE COVERED BY AN ICA. HE SAID FEW AFRICAN STATES SEE THE SECOND WINDOW AS A REPLACEMENT FOR EXISTING INTERNATIONAL FINANCIAL INSTITUTIONS (IFI) BUT BELIEVE IT WOULD SUPPLEMENT ACTIVITY OF THE IFIS. KAGUNDA SAID

THAT EMPHASIS ON REFORMING THE IFIS IGNORES THE FACT THAT SUCH RESTRUCTURING CAN NOT BE ACCOMPLISHED OVER THE SHORT TERM. THE FUNDAMENTAL REFORMS NECESSARY ARE OF A LONG TERM NATURE AND THE LDCS NEED HELP NOW.

5. VOTING PROCEDURES: KAGUNDA SAID HE UNDERSTOOD THE DOMESTIC POLITICAL PRESSURES AND CONSTRAINTS ON THE USG. HOWEVER, THE USG MUST BE AWARE OF LDC SUSPICION OF WEIGHTED VOTING WHICH IS BASED ON HISTORICAL EXAMPLES. KAGUNDA DID NOT APPEAR OVERLY CONCERNED OVER THE VOTING STRUCTURE AND SAID HE BELIEVED A COMPROMISE ACCEPTABLE TO BOTH GROUPS COULD BE REACHED IF THE ISSUE WAS APPROACHED WITH FLEXIBILITY AND UNDERSTANDING.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 NAIROB 06215 281432Z

6. IN THE COURSE OF THE DISCUSSION KAGUNDA MENTIONED SEVERAL TIMES APRIL 17TH SPEECH AT THE COMMONWEALTH CONFERENCE IN LONDON BY GOK MINISTER FOR COMMERCE AND INDUSTRY, ELIUD MWAMUNGA. KAGUNDA SAID THIS SPEECH ACCURATELY REFLECTED GOK APPROACH TOWARD COMMON FUND. ACCORDING TO MEDIA REPORTS, THRUST OF MINISTER'S SPEECH WAS THAT COMMODITY PROBLEMS MUST BE SOLVED WITH COORDINATED, COMPREHENSIVE, LONG-TERM MEASURES. MWAMUNGA IS QUOTED AS SAYING PAST EFFORTS HAVE FAILED BECAUSE COMMODITY PROBLEMS WERE APPROACHED ON A PRODUCT-BY-PRODUCT BASIS WHEN AN INTEGRATED PROGRAM IS CALLED FOR.
LE MELLE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMODITIES, VOTING, LESS DEVELOPED COUNTRIES, FOREIGN POLICY POSITION, FINANCIAL CONTRIBUTIONS, SPEECHES
Control Number: n/a
Copy: SINGLE
Draft Date: 20 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978NAIROB06215
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780187-0294, D780171-1011
Format: TEL
From: NAIROBI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780435/aaaabdii.tel
Line Count: 148
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 276279aa-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 82918, 78 NAIROBI 5010
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 24 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2903353
Secure: OPEN
Status: NATIVE
Subject: COMMON FUND DISCUSSIONS
TAGS: ETRD, PORG, KE, UNCTAD, (KAGUNDA), (MWAMUNGA, ELIUD)
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/276279aa-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014